

# Maurice Hinchey NEWS

## 22nd CONGRESSIONAL DISTRICT, NEW YORK

---

FOR IMMEDIATE RELEASE  
May 12, 2003

### HINCHEY SAYS CUTS IN MEDICARE AND MEDICAID HURT HOSPITALS AND TAXPAYERS

MIDDLETOWN - U.S. Representative Maurice Hinchey (NY-22) today met with Orange Regional Medical Center President and CEO Jeffrey Hirsch to discuss the financial pressures placed on health care facilities by shrinking federal contributions to Medicare and Medicaid. Hinchey and Hirsch then spoke to the media about the issue.

Hinchey released the following statement:

**"Health care providers are getting squeezed from all sides** --- insurance companies are pressuring them to cut costs and the shortage of nurses and other health professionals has forced a rise in salaries. The threat of a biological attack or another national emergency on the scale of 9/11 has forced providers to make substantial investments in training, supplies, new technology and security. Pharmaceutical costs continue to rise at double or triple the rate of inflation, and New York's three million uninsured are turning up at emergency rooms in record numbers.

"At the same time, public health care funding has been depressed for nearly a decade. But Medicare reimbursements are not keeping up with inflation. In fact, since the Balanced Budget Act of 1997 was passed, Medicare reimbursements have **purposely** been held at **less than the rate of inflation**.

"A recent study conducted by the Hospital Association of New York State (HANYS) demonstrates just how dramatic the impact of Medicare's cost constraints has been: **while the cost of providing health care services for the past six years has increased by 22.4 percent**, Medicare reimbursements New York hospitals have **increased by only 7.6 percent** during the same period.

"This "Medicare reimbursement gap" has a more devastating impact on upstate New York because of the high percentage of Medicare-dependent seniors and the volume of the hospitals' revenue comes from Medicare and Medicaid.

-more-

**Congressman Maurice Hinchey**

**May 12, 2003**

**Page Two**

"Medicaid is not in any better shape. **Governor Pataki proposed cutting \$1 billion** from the program in his budget plan, in addition to increases in fees and taxes on health care providers that some hospitals have told me will cost them hundreds of thousands of dollars a year. It now seems likely that the state legislature will scale back those cuts, but we know that the state budget will be extremely stressed for years to come.

"What the health care system desperately needs is an infusion of funding for Medicare and Medicaid from Washington, but the Republican leadership in Congress is attempting to do just the opposite. In order to make room for the president's \$1.2 trillion tax cut plan, the **House put a budget proposal on the table that would have cut another \$215 billion in Medicare funding and \$95 billion from Medicaid.** Although it didn't receive nearly as much attention, these proposals were more draconian than the plans advanced by Newt Gingrich in 1995 when he said his goal was to let Medicare "wither on the vine."

"Since that plan became public last month, Republicans have backed down on both the Medicaid and Medicare cuts. However, they have not named any additional programs they would cut to come up with the money to fund Bush's irresponsible tax cuts. We must remain alert because I believe both programs will be in jeopardy again before this budget cycle is complete. **If even a fraction of those cuts were enacted, dozens of hospitals across the state would be forced to close.** As it is, **60 percent of New York hospitals have lost money in each of the last three years and five hospitals upstate have already announced their closures this year.**

"**Medicare needs a complete restructuring of its provider reimbursement system,** so that funding is kept in line with the rising cost of providing health care. Hospitals, physicians and nurses want to provide the best quality care to our family members, but we have to give them the tools to do so. There had been broad bipartisan agreement earlier this year that we must urgently consider a Medicare reform package, but that changed dramatically as Bush pushed forward with his tax cut plans. **We must shift the debate back to strengthening Medicare and investing in urgent health care needs before we consider unaffordable tax cuts.**

"**We must also extend a critical provision for Orange County hospitals that has shielded them from the harshest Medicare cuts.** In 1999, I worked with Congressman Gilman and Congresswoman Kelly to secure a change in Medicare law that allowed hospitals in Orange County to be reimbursed by Medicare at the higher labor rate paid to New York City hospitals. This provision must be extended and expanded to include the other Hudson Valley counties who are facing the same pressures.

-more-

**Congressman Maurice Hinchey**  
**May 12, 2003**  
**Page Three**

"We succeeded in making this change because of the reality of the Hudson Valley workforce: workers are willing and able to travel into New York City for higher paying jobs. **Our hospitals have to compete with New York City hospitals that can pay much higher wages, so this change in law helps level the playing field.**

"Since 1999, that competition has only become more dramatic. The shortage of health care workers -- particularly nurses -- has exacerbated the hospitals' situation, so it is more critical than ever that the increased Medicare wage payments continue.

"The problem is that the provision that paid Orange County hospitals at the New York City wage rate expires on September 30 of this year. If it is not renewed, Orange County hospitals face a devastating drop in their Medicare reimbursements at a time when they can least afford it. Congresswoman Kelly and I are working together to see that the provision is extended and to expand it to include the other Hudson Valley counties that are facing the same competition with the New York metropolitan area.

"On Medicaid, my top priority is to secure a fair rate of reimbursement from the federal government. **New York is reimbursed for only 50 percent of its Medicaid costs -- the lowest possible rate under federal guidelines. Other states can receive as much as 83 percent reimbursement.**

"New York is one of only two states that split their share of the Medicaid bill with counties. That means that Medicaid policies in Washington have a very direct impact on the property taxes that we all pay in New York.

"As you know, property taxes are soaring around the state because of the demand for Medicaid services that results from an economic downturn. Orange County, due the sizeable surplus it built up in the last few years, has been able to shoulder the burden with only a **proposed 8.39 percent tax rate increase**, but **other counties are facing property tax increases of nearly 50 percent.**

"New York is not the only state that is struggling to meet its Medicaid demand. State revenues are down dramatically and the number of uninsured has spiked. In fact, most states are facing a fiscal crisis this year, but New York's situation has been worsened by our recovery from 9/11.

-more-

**Congressman Maurice Hinchey**  
**May 12, 2003**  
**Page Four**

"When I first came to Congress in 1993, I introduced legislation to increase New York's Medicaid matching rate. New life has been breathed into this effort with the introduction of the State Budget Relief Act. The bill would temporarily increase the Medicaid reimbursement rate for states that have high unemployment rates. **If passed, it would deliver nearly \$800 million a year to New York State for Medicaid expenses, which translates into savings of \$3.3 million a year for Orange County taxpayers.** "That's a pretty substantial savings and we know that it's urgently needed. There is strong bipartisan support for the bill, but the President strongly opposes it.

"Once again, this demonstrates the short sightedness of federal health care policy. It's hard to get folks to concentrate on our long-term health care needs, when we haven't even adequately addressed the crises of today."